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XIWANG SPECIAL STEEL COMPANY LIMITED

西王特鋼有限公司

(incorporated in Hong Kong with limited liability)

(Stock code: 1266)

FURTHER DELAY IN DIVIDEND DISTRIBUTION

References are made to the announcements (collectively, the “**Announcements**”) of the Company dated 16 August 2019, 11 October 2019, 10 January 2020, 10 March 2020, 26 June 2020 and 29 July 2020, 26 November 2020 and 8 January 2021 in relation to, among others, the further delay (the “**Further Delay**”) of dividend distribution of the Company. Unless otherwise defined herein, capitalised terms used shall have the same meanings as defined in the Announcements.

THE ANNOUNCEMENTS

As disclosed in the announcements of the Company dated 26 November 2020 (the “**November 2020 Announcement**”) and 8 January 2021 (the “**January 2021 Announcement**”), the main reason leading to the Further Delay is the prolonged COVID-19 epidemic which intensified the liquidity pressure faced by the Group. The extent and duration of the COVID-19 outbreak went beyond the Group’s assessment and have taken a toll on the Group’s businesses. It was also disclosed in the January 2021 Announcement that the Company’s financial performance has fallen short of the Group’s expectation in terms of (i) finance; and (ii) operation, which was a result of (i) the adverse effects of the epidemic, leading the Group to face difficulties in soliciting new source of funds, including additional banking facilities with PRC financial institutions to further support the Group’s funding needs. Also, the credit market in the PRC remained challenging as a result of tightening credit measures by the PRC government; and (ii) the tight supply of coke in the market which was due to the implementation of the elimination of excess production capacity, which has led to an increase in coke price and greatly pushed up the Group’s production costs and cash paid for purchasing costs of raw materials for production for the period from July to November 2020.

It was also disclosed in the November 2020 Announcement that the Board expected the Group to benefit from the gradual recovery of the economy in the People’s Republic of China (the “**PRC**”) in the first half of 2021 and as such, the Group will be able to pay out the dividend by the end of June 2021.

FURTHER DELAY AND EVENTS LED TO THE DELAY IN DIVIDEND DISTRIBUTION

In the first half of 2021, the Group's efforts to increase production and reduce costs have achieved great results, and the monthly output has continuously reached the highest level. The increase in output has resulted in higher requirements for the guarantee of raw material supply. The prices of Group's main raw materials (including, but not limited to iron ore, coke, and scrap steel, etc.) have fluctuated sharply. In order to ensure the supply of raw materials while coping with price fluctuations and reduce procurement costs, in the opinion of the Directors, the Group needs to increase raw material reserves, resulting in the decrease in the Group's liquidity.

Iron ore is the Group's main production raw material. The outbreak of the global epidemic has had an unprecedented impact on the price of iron ore. There was reduction in mine shipments in addition to the sparse ports of steel mills, and the port inventory was at a low level. Global central banks released currency liquidity, causing the price of iron ore as a commodity to move upward. The recent trade friction between China and Australia has aggravated domestic concerns about the contradiction between iron ore supply and demand. In order to sustain normal production and operation, while maintaining the iron ore inventory structure required for the Group's production, in the opinion of the Directors, it is necessary to continuously purchase iron ore raw materials. The rising trend of the price of iron ore takes up the cash flow for production and operations, which further reduced the liquidity of the Group's funds.

Domestic ecological and environmental protection inspections have become more and more stringent, which has severely suppressed the capacity utilization rate of coking companies across the country. Among them, Shanxi, the main coke production area, has suffered the greatest impact. The Shandong Provincial Department of Industry and Information Technology issued the "Emergency Notice on Doing a Good Job in Coke Production Control", which further affected the supply and demand pattern of the coking market. In the opinion of the Directors, it is necessary to increase coke purchases and reserve incremental inventory in response, which further reduced the liquidity of the Group's funds.

The purchase of scrap steel is affected by factors such as national macro-control, environmental protection and rainy seasons. In order to stabilize production demand, in the opinion of the Directors, it is necessary to establish a reasonable inventory level for regulation and control. Due to the gradual increase in the price of raw materials such as scrap steel, the occupation of the total inventory cost and capital are relatively large, which further reduced the liquidity of the Group's funds.

The situation of the steel industry has been affected by overseas macroeconomic and domestic policies. Liquidity was squeezed by the cost of high-priced raw materials. With the impact of overseas macro inflation, superimposed on the domestic production restriction policy in some regions, raw material prices have fluctuated with changes in the policies, yet the cost of raw materials remained high, resulting in a substantial reduction in liquidity. The volatility of finished product prices has increased, liquidity has remained low, and has been eroded by pressure imposed by the raw material prices. It will also face the price risk brought by the shrinking of overseas funds, high prices of raw materials and weak domestic demand, the policy suppression of real estate demand and other uncertain factors, which further reduced the liquidity of the Group's funds.

Based on the above factors, the Board reviewed the liquidity situation of the Group again and considered that it is in the best interest of the Company to preserve the existing resources to support the Group's operating activities in view of the current challenging business environment. Accordingly, the Board has resolved that the payment of the Final Dividend and the despatch of the share certificates for the Scrip Shares to the Shareholders will be further postponed. As a result of the further postponement, the Final Dividend and the share certificates for the Scrip Shares are expected to be sent to the Shareholders on or around 30 December 2021 and the dealing in the scrip shares on the Stock Exchange is expected to commence on or around 31 December 2021.

Save for the changes as stated herein above, all other information and contents set out in the Announcements, Supplementary AGM Circular, the Scrip Dividend Circular and the Election Form remain unchanged.

BASIS IN DETERMINING THE DIVIDEND PAYMENT DATE

The Board currently expects that the Group will benefit from the gradual recovery of the economy both globally and in the PRC and as such, it will be able to pay out the dividend by the end of December 2021. However, the external global economic environment and its overall effects on the Group's businesses and liquidity remain uncertain. Notwithstanding the uncertain overall effects on the Group's businesses and liquidity, the Group will continue to enhance the implementation of the numerous measures (as disclosed in the July 2020 Announcement and the January 2021 Announcement) to ensure that no further delay will be required.

The Board currently expects that its businesses and cash flow will improve in the second half of 2021, and the cash flow generated from operating activities will be improved. The Board currently expects that the Company would be able to pay out the dividend by the end of December 2021. The Company will disclose further developments on the above matters by way of further announcement(s) in a timely manner in accordance with the Listing Rules and other regulatory requirements as and when appropriate.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in securities of the Company.

By Order of the Board of
Xiwang Special Steel Company Limited
WANG Di
Chairman

Hong Kong, 11 June 2021

As at the date of this announcement, the Board comprises the following directors:

Executive Directors

Mr. ZHANG Jian
Mr. SUN Xihu
Ms. LI Hai Xia

Independent non-executive Directors

Mr. LEUNG Shu Sun Sunny
Mr. LI Bangguang
Mr. YU Kou

Non-executive Director

Mr. WANG Di